



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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IRS – Criminal Investigation

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### **Chaka Fattah Jr. Sentenced to 60 Months in Prison for Fraud and Tax Charges**

Chaka Fattah Jr., 33, of Philadelphia, was sentenced today to 60 months in prison for fraud and tax charges in connection with a scheme to defraud banks, the Internal Revenue Service (IRS) and the Philadelphia School District, announced Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division and U.S. Attorney Zane David Memeger of the Eastern District of Pennsylvania.

On Nov. 5, 2015, a federal jury found Fattah Jr. guilty of 22 counts, including bank fraud; making false statements to banks to obtain loans; making false statements to banks and the Small Business Administration (SBA) to settle loans for less than what was owed; filing false federal income tax returns for tax years 2005, 2006 and 2008; failing to pay federal income tax; wire fraud; and theft from a program receiving federal funds. In addition to the prison term, U.S. District Court Judge Harvey Bartle III of the Eastern District of Pennsylvania ordered Fattah Jr. to pay \$1,172,157 in restitution.

According to the evidence presented at trial, in 2005, Fattah Jr. and an associate supplied fictitious earnings for companies that they claimed to operate, including 259 Strategies LLC and Chaka Fattah Jr. & Associates, to local banks in order to obtain numerous business lines of credit. Rather than using the lines for credit for business expenses as the loan terms required, however, Fattah Jr. used them primarily for personal expenses. For example, in 2011, Fattah Jr. received a \$50,000 loan from United Bank intended for "working capital to support business operations," which he instead used to make car payments and to pay down more than \$40,000 in personal debt, including gambling debts.

The evidence further demonstrated that in 2010, Fattah Jr. had previously defaulted on several lines of credit and, in an attempt to settle the debts for less than what was owed, provided false information to two banks, to the SBA, which had insured the bank loans, and to an SBA investigator. Fattah Jr. falsely claimed that 259 Strategies was out of business, which it was not, and that he was earning only \$2,500 per month, when his real income was between \$6,250 and approximately \$37,500 per month.

Additionally, for tax years 2005, 2006 and 2008, trial evidence showed that Fattah Jr. filed false federal income tax returns, and in 2010, failed to pay on a timely basis federal income tax of approximately \$51,141 on more than \$150,000 in reported income.

The evidence further demonstrated that in during the 2010 through 2011 and 2011 through 2012 school years, while Fattah Jr. was serving as the chief operating officer of Delaware Valley High School, a for-profit vendor which provided alternative educational services through contracts with the school district, he submitted false expense information and inflated salary figures resulting in approximately \$940,000 of fraudulently obtained payments from the school district. Some of the funds were paid through a false budget entry that concealed Fattah Jr. as the true recipient.

The FBI, IRS-Criminal Investigation and the U.S. Department of Education investigated the case with the cooperation of the Philadelphia School District's Office of Inspector General. Assistant U.S. Attorney Paul L. Gray of the Eastern District of Pennsylvania and Trial Attorney Eric Gibson of the Criminal Division's Public Integrity Section are prosecuting the case.

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